JUNE 15
1992

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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How to manage cash and profits p. 25

Toronto hosts 4th I.D.C.

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TOP
The biggest in the business

p. 31

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Who are the biggest selling firms in the industry?—p. 37

ID examines how probable defense cuts impact distribution.—p. 56

Win Adams is an expert at managing change.—p. 33

JUNE 15 1992 Vol 81, No.6

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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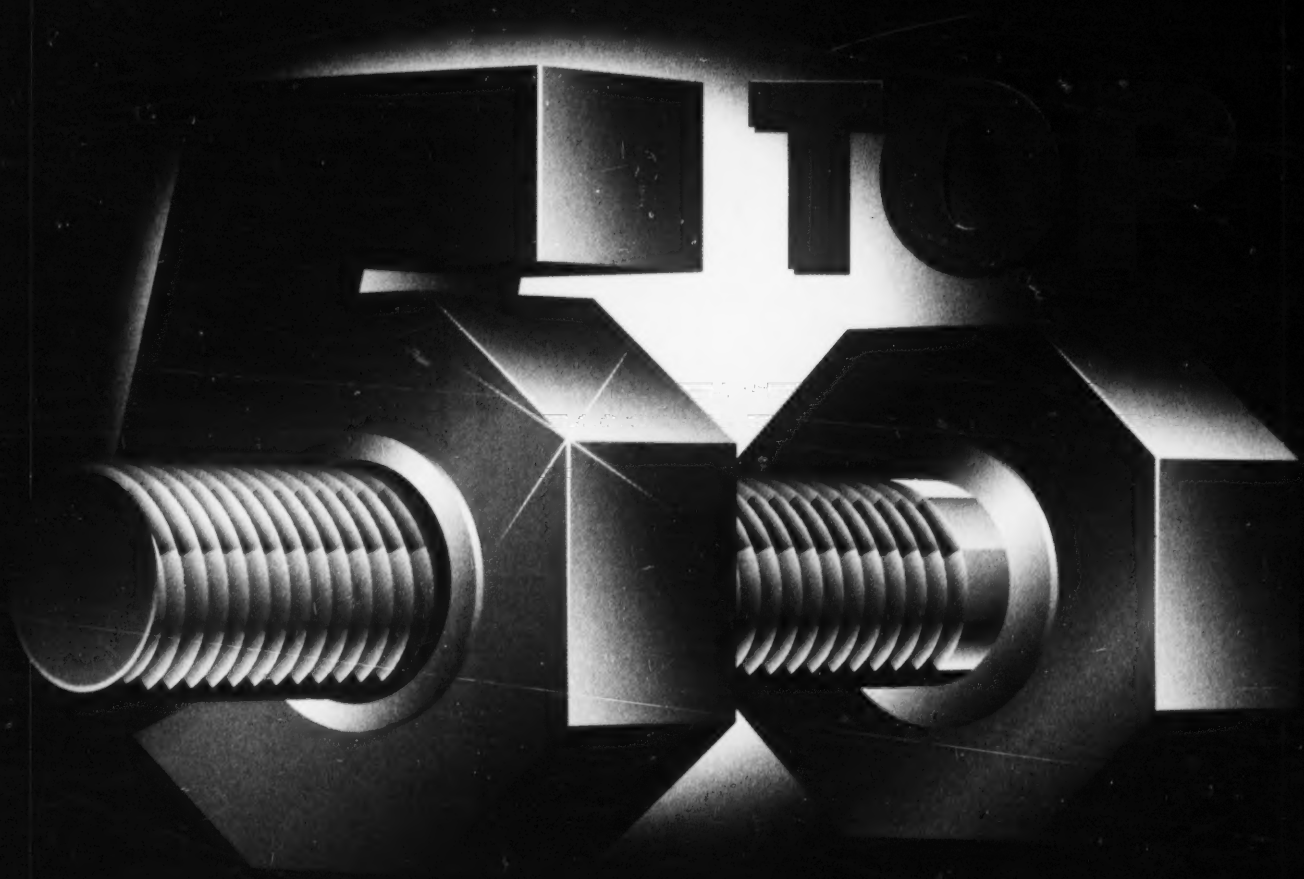
DISTRIBUTION'S TOP 50



Who are the biggest distributors in the industry?

ID's exclusive 10-page report unveils the Top 50.

Who's Tops?

Rules of the Ranking.

Hold on to your hats! It's Top 50 time again! Last year, ID published its first annual Distribution's Top 50. Featured in the May issue, the article ranked the top 50 distributors in the U.S. and Canada based upon input from industry gurus, association execs and our own exhaustive research. The criteria being only annual sales, the distributors profiled ran the gambit from specialty power transmission houses to traditional general-line giants.

The first in what is now an annual feature was well received by most. Manufacturers phoned in comments, distributors expressed anticipation for inclusion "next time," and we even saw a few top execs using the ranking as a guide to prominent players at a major convention's conference booth sessions.

We were pleased with the reader response—even those correspondences which pinpointed oversights on our part. And there were a few. Distributors were quick to let us know about their own companies, their peers and their competitors who weren't featured in the ranking for one reason or another. We were eager to receive this input because it enabled us to develop an even more comprehensive ranking of the top distributors this year.

And that's what we've done. Through a questionnaire bound into the January 1992 issue, distributors and manufacturers were encouraged to nominate companies for the Top 50. The hundreds of respondents who took the time to nominate, coupled with research we've compiled during the past year, have made possible the ranking spotlighted on the following pages.

Upon review of the listing, you may note that such industry greats as McMaster Carr and J & L Industrial are absent. Because these companies are primarily mail-order operations—not the mainstream distributors classically profiled in the magazine—they were purposefully omitted. The same holds true for other distributors from non-traditional segments such as plastic and printing, as well as wholly-owned distributorships like GE Supply. (Not willing to reveal annual sales figures, still other mainstream distributors are also truant by choice.)

Like last year, you will find distributors ranked according to their 1991 annual sales—and only annual sales. We underscore the fact that our listing is not designed to proclaim which company is best. That's for you to decide.

You will undoubtedly find the format and content of this year's Top 50 very similar to last year. The profile boxes—complete with pertinent branch, sales and employee information—spotlight many of the same distributors you met last year. But you'll also find that a lot can change in a year. So read on! ID shares 50 companies' secrets for making it to the big time.

For reprint information, contact Katie Pyziak at (708) 390-2236.

1. W. W. Grainger, Inc.
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3. Motion Industries, Inc.
4. Sun Distributors L. P.
5. McJunkin Corp.
6. Guillevin International, Inc.
7. Kaman Industrial Technologies
8. Berry Bearing Co. , Inc.
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14. Invetech Co.
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17. The Gage Co.
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20. Lucas Fluid Power North America
21. DoAll Co.
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23. Production Tool Supply
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28. Hub, Inc.
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30. J. N. Fauver Co.
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33. R. S. Hughes Co.
34. Canadian Bearings, Ltd.
35. Service Supply Co. , Inc.
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37. Carlson Systems
38. Alamo Iron Works
39. Goodall Rubber Co.
40. Industrial Distribution Group, Inc.
41. Lewis-Goetz & Co., Inc.
42. Moody-Price, Inc.
43. Standard Supply & Hardware Co.
44. Alatec Products, Inc.
45. Associated Industrial Supply
46. Hatfield & Co., Inc.
47. Morse Industrial Supply
48. Ohio Transmission & Pump
49. A-C Supply Co.
50. Enco Manufacturing Co.

1 W.W. Grainger, Inc.

Skokie, Ill.

Wiley N. Caldwell, President

1991 Sales: $2.077 billion

Branches: 327 **Employees:** 8,000+

(See story p. 40)

2 Bearings, Inc.

Cleveland, Ohio

John C. Dannemiller, Chairman & CEO

1991 Sales: $814 million

Branches: 336 **Employees:** 4,100

Bearings, Inc. is the largest supplier of replacement bearings, power transmission products, fluid power equipment, industrial rubber and electrical supplies in the country. "We serve it all," says Dannemiller. "We sell to anyone who would need these parts in all industries." The formula seems to be working. Founded in 1923, Bearings, Inc. employs 4,100 people at 336 branches. And despite the recession, sales are strong. "We've done well during the downturn," reports Dannemiller.

3 Motion Industries, Inc.

Birmingham, Ala.

Michael Gaffney, President & COO

1991 Sales: $655 million

Branches: 205 **Employees:** 2,500

Motion Industries, Inc., founded in 1946, services the sunbelt and the midwest—from California to Virginia. And, it seems, the bearings, pt and pneumatics house does it well. According to Gaffney, Motion has grown at a compound rate of 12% over the past five years. And, despite the nationwide recession, last year's sales still jumped 3%. What's the distributor's secret? Gaffney points to a unique satellite system connecting its 200 branches and a top-notch training program. "We offer our customers totally reliable, instantaneous responses," he says.

4 Sun Distributors L.P.

Philadelphia, Pa.

Don Marshall, Chairman & COO

1991 Sales: $596 million

Branches: 275 **Employees:** 4,000+

Sun Distributors is shining brightly over the distribution industry—all of it. According to Marshall, Sun's reach stretches across the U.S., Canada and Mexico into all industries—from MRO to retail—selling everything from fasteners to fluid power. Publicly-held and founded in 1976, Sun Distributors is operated under the direction of an executive board with each separate company boasting its own entrepreneurial president. One thing they all have in common, says Marshall, is a push for value-added service. "We're not your everyday distributor," he notes. Clearly.

5 McJunkin Corp.

Charleston, W. Va.

Henry B. Wehrle, Jr., Chairman

1991 Sales: $515 million

Branches: 58 **Employees:** 1,260

General-line offerings with an emphasis on PVF and electrical has been a successful formula for privately held McJunkin since its inception in 1921. A strong quality focus which incorporates the firm's employees, suppliers and customers in 20 states has also played a role in McJunkin's rise to star status in the industry. Company president H. Bernard Wehrle III says that won't change in the coming years—even as the purchase of $80 million, 18-branch Republic Supply becomes final in March. "We'll continue with the same strategy next year," he says.

6 Guillevin International, Inc.

St. Laurent, Quebec CANADA

Jeannine Guillevin Wood, Chairman & CEO

1991 Sales: $479 million

Branches: 110 **Employees:** 1,200+

"This is the year every distributor in Canada wants to forget," says Robert Bouchard, president and COO of Guillevin Int'l. The 86-year-old general-line distributor he works for is no exception. "Comparing recessions of the past to the current recession is like comparing a tornado and an earthquake," he observes. Despite the economic hardship though, this industrial hardware, electrical and safety equipment distributor is keeping its ground across Canada. How? Lowering costs, increasing service levels and finding new ways to meet customer expectations.

The Growth of a Giant

W.W. Grainger, Inc. is **#1**, but don't expect the Goliath of distribution to rest on its laurels.

In the beginning, distribution's reining giant, W.W. Grainger, started much like many of you did—as a fledgling distributorship run by one man and some help from his friends.

Today, 64 years later, W.W. Grainger is a $2 billion business.

Somewhere along the way, this Skokie, Ill.-based wonder house slipped into the lead. And today, like a thoroughbred race horse in a daily run for the roses, Grainger continues to leave its competitors in the dust.

All in a day's work? Grainger's president, Wiley N. Caldwell, says the company's remarkable progress is largely attributable to a successful team effort. "We have good employees working toward a common goal," says the 64-year-old leader.

But, even the most successful distributor would have to agree—there's clearly more to it than that. As the country's largest distributor of industrial products, Grainger's unique service and convenience focus places it in a league by itself. We call it #1.

As the highest ranked company in ID's Top 50 for the second year in a row, we felt it was time to meet with Grainger again. (The company received cover story treatment in ID's January 1990 issue.) Our goal was to talk with Caldwell about Grainger's rise. About its plans for the future. And, to find out why this huge commodity distributor is far and away *the* top of Distribution's Top 50.

The Grainger culture

If you have a Grainger branch in your area, you know all too well how Grainger works. The general-line distributor services customers in four major markets (contractors, commercial, institutional and industrial) by supplying what they need, where they need it and when they need it—often on a pick up basis from one of its 327 branches.

But Grainger adds a twist. It provides what customers need when they need it, all the while providing what Caldwell calls the three fundamentals: Reliability, accuracy and speed. "We're doing what everyone else is doing—we're just doing it better," he says.

Arguably, Grainger's ability to do exactly that is a catapulting factor, particularly considering that Grainger maintains only a 3-4% market share in its major markets. Now the question is, how?

The first answer, as Caldwell noted, is people. The company employs more than 7,000 people under the umbrella of its core business—the Grainger division. Add the specialty divisions: Bossert Industrial Supply, Inc.; Allied Safety, Inc.; Parts Company of America; and Jani-Serv and Ball Industries, Inc., and the count springs to about 8,800. Any way you slice it, that's a lot of employees. But each one is a highly valued asset. "We have a unique culture and good people," says Caldwell. "It's a family."

Grainger's profit sharing plan, established in 1941 before it was fashionable, undoubtedly contributes to the dedication and hard work demonstrated by the employees of the Grainger Division. The plan is designed to reward each employee right down to the warehouse staff for his or her efforts.

Training at the top

Other programs developed by the company for the good of the employee also factor in to the level of employee satisfaction. One of the most important of those is training.

According to Caldwell, the Grainger Division has spent an increasingly high percentage of sales during the past five years on training in an effort to reduce employee turnover rates and improve customer service levels. In 1990, the company invested in its Chicago-area Regional Field Training Center for the instruction of its branch and sales people across the country. And, says Caldwell, "We're going to open one on the east and one on the west coast in the coming year."

The center, which boasts a full-scale replica of a branch office, is designed to give employees the equivalent of three to six months of experience in concentrated five-day sessions. Human resource professionals help develop the training programs and assist in training some of the trainees. Caldwell notes that the results are obviously positive. "Our employees are happier because they know how to do their jobs better and they know the company cares for them," he says.

The employees aren't the only people who are happier. Grainger's customers are happier too. And the reason why is clear. Grainger places major training emphasis on quality—and of course it's the customer who ultimately reaps the most rewards from enhanced quality.

Caldwell puts it simply, "We believe in quality." And he's not just referring to his own philosophies. "Better companies have been thinking about quality for years," Caldwell says. "Grainger was a quality company long before I got here."

What does quality mean for Grainger? It's a fundamental, all-encompassing approach. According to Caldwell, quality means answering the phone before the third ring. It means paying suppliers on time. It means treating people with dignity and respect. And it means constant improvement.

The distribution giant believes so strongly in quality that its Grainger Division has named Robert Collins,

a 35-year employee, vice president of quality and systems. Collins oversees the quality movement throughout the Grainger Division, from training to everyday applications.

And quality does apply every day—even to the executive officers. Caldwell himself is very conscious of the tenets of quality—so much so that he often answers complaints personally. "I know that if a complaint gets all the way to me, the person must be pretty angry. And if he's that upset, he'll tell his friends unless we take measures to diffuse the problem," Caldwell says. "I follow through and make sure they get the answers they need."

Satellite savvy

Practicing quality has been easier for Grainger in recent years thanks to the installation of a state-of-the-art satellite communications network in 1990.

With the help of about 200 data center professionals, the Grainger Division network links each branch with a network control center which enables instantaneous transmittal of information. "As distributors, it's our job to sell information," notes Caldwell. "For a typical $100 to $150 per order, a customer wants to know if we have what they need, and where and when they can get it. Not to mention the price. And we have to provide that information with speed and accuracy."

Grainger does that and more. "We can place an order at one branch and transfer it to another branch where it's printed out. Through the system, the inventory is immediately deducted and ready to be picked up by the customer," he explains. "We used to have to make a print out at the first branch, fax it to the second branch and then manually re-enter the order, increasing the possibility for error and taking more time. The capability of the satellite network is fabulous!"

Speaking of the future . . . what lies ahead for the already colossal Grainger? You can bet that the distributor won't be languishing in its current accomplishments. On the contrary. Having built a strong base of well-trained, quality-conscious professionals and a powerful communication system, Grainger is positioned to push forward.

However, by the looks of it, the push will be in a new direction. Already a major player in the cutting tool and abrasives market with the formation of Bossert; the safety market with the creation of Allied Safety; the janitorial supply market with the 1990 start-up of Jani-Serv and the 1991 acquisition of Ball Industries, Inc.; and the replacement parts market in the form of Parts Company of America—Grainger is taking its show on the specialty road.

According to Caldwell, the existing specialty divisions operate as completely separate entities from Grainger's core business. The specialty markets were selected upon completion of extensive research into 10 possible markets—the criteria including segments which demonstrated growth and consolidation potential. "It took us two years to make our entry into these new markets," notes Caldwell. "It wasn't a willy nilly decision."

And you can bet the progression of those businesses won't be willy nilly either. Grainger understands the difference between specialty distribution and the type of commodity distribution it has been practicing for the last 64 years. "Specialty requires a great deal more in-depth knowledge, expertise and service," says Caldwell.

Grainger will be addressing the markets accordingly. "We're developing strong partnering relationships with major manufacturers," he says. And in the future, the four specialty segments will take advantage of Grainger facilities and amenities such as the training center and communication network.

Although they will be part of the company, Caldwell notes that the specialty units will be operated as separate businesses. "All of our Grainger Division branches are run like the little distributor down the street—with each branch manager in charge of his own business," he says. "We've grown large by staying small."

And Grainger promises to grow even larger. In the expansion of its existing specialty markets, Caldwell notes that both greenfield entry into new markets and acquisitions are possibilities. "We will expand the businesses when and where it makes sense," he relates.

Then what? Just as in the expansion of current markets, Caldwell doesn't rule out the possibility of investigating new specialty markets. "We are studying new market opportunities through our own marketing and research and development departments," he reveals.

Grainger's dedication to its core business as well as new markets clearly demonstrates the giant's powerful potential in the industry. But, Caldwell is quick to point out that the race for market share is made interesting by plenty of good competition.

"As long as the small, service-oriented distributor provides value, there will always be a place for him—particularly as manufacturers find that they need distribution more and more," Caldwell predicts. As to whether or not there's a place for Grainger? It appears that goes without saying.

7 Kaman Industrial Technologies Corp.

Bloomfield, Conn.

Richard K. Moynihan, President

1991 Sales: $400 million

Branches: 149 **Employees:** 1,300+

"Kaman's mission is to help customers become more productive, more competitive and more profitable by putting technology to work for them," says Moynihan. Servicing all major manufacturing, processing and service industries including everything from pulp and paper to mining and automotive—that's quite a challenge. But this specialty bearings/pt distributor founded in 1971 is ready, thanks to its employees. Asserts Moynihan, "Our people are the cornerstone of our efforts to excel in customer service."

8 Berry Bearing Co., Inc.

Lyons, Ill.

Gardner B. Larned, President & COO

1991 Sales: $350 million

Branches: 90 **Employees:** 1,300

"Especially today, a distributor must go beyond buying and selling," says Larned. "He must anticipate problems and offer innovative solutions." It seems this 72-year-old bearings and pt house is doing just that. Servicing the pulp and paper and food and steel industries in the midwestern and eastern regions, Berry Bearing Co. is making a name for itself and a hefty profit. Where will it go from here? Larned predicts, "Wherever the customers take us."

9 Acklands Limited

Downsview, Ontario, CANADA

K. Rai Sahi, President & CEO

1991 Sales: $343.5 million

Branches: 173 **Employees:** 2,032

One of the largest distributors in Canada, Acklands Limited serves a broad cross-section of industries in nearly every sector. From general industrial products and fasteners to janitorial, safety and abrasives, this 103-year-old general-line house is in a power position. But it's only the beginning. Acklands acquired British Columbia-based Malkin & Pinton last year to strengthen its position on the west coast. And Sahi says, "Our goal for the next three years is a half-billion in sales."

10 Cameron & Barkley Co.

Charleston, S.C.

Rufus C. Barkley, Jr., CEO

1991 Sales: $318 million

Branches: 70 **Employee Owners:** 1,228

Cameron & Barkley president Jim Warren cites the implementation of the quality process and increased market share in the six southeastern states it serves as the company's paramount goals for the coming year. He says, "The most critical resource we have to achieve these objectives is our employee owners." And he means it. 100% employee-owned, the general-line giant founded back in 1865, boasts a VP of quality and a seven-person, in-house training department.

11 Fairmont Supply Co.

Washington, Pa.

William T. Todd II, President & COO

1991 Sales: $260 million

Branches: 25 **Employees:** 640

When German firm RWE AG bought 50% of Fairmont's parent company, Consolidation Coal Co. in late 1991, it also bought 50% of Fairmont Supply. But Todd says, "It hasn't changed our method of doing business." That method includes serving as the sole source of supply for Du Pont, as well as maintaining a unique focus on materials management. Serving the Rockies, much of the south and the gulf coast, this 70-year-old general line distributor will undoubtedly continue with the successful approach long into the future.

12 Briggs-Weaver, Inc.

Dallas, Tex.

Rob C. Mellor, Chairman

1991 Sales: $222 million

Branches: 33 **Employees:** 795

Briggs-Weaver's goal for the coming year is to grow profitably, according to Tom Reid, vice president and general manager of the Supply Division. But, unlike many companies, the 96-year-old general-line distributor has some distinct strategies for achieving that goal. "We'll use the quality process (or what Briggs-Weaver calls perfect service) to assure our level of customer service and become the low-cost provider," says Reid. "And that will enable us to become the distributor of choice in situations where vendor reductions occur." A challenge in the markets they service—from petrochemical and defense to utilities and manufacturing.

13 Bowman Distribution/ Barnes Group, Inc.

Cleveland, Ohio

John Knapp, President & COO

1991 Sales: $212.4 million

Branches: 26 **Employees:** 1,281

Serving North America and Europe in process industries from food processing and pharmaceuticals to petrochemicals may seem like a monumental challenge. But Bowman Distribution, founded in 1927, has the job covered—and more. According to Bart Ziurys, director of marketing for the general-line house, Bowman is committed to reducing its customers' total maintenance costs through tailored products and services. And, he says, "We're dedicated to helping our customers resolve the safety and regulatory issues that affect their businesses." That means sending people to Washington for regulatory meetings.

14 Invetech Co.

Detroit, Mich.

James T. Moore, II, President & COO

1991 Sales: $210 million

Branches: 96 **Employees:** 990

According to Moore, Invetech Co.'s vision statement states, "Invetech will become one of the nation's three largest industrial distributors. We will achieve that goal by creating the ultimate in customer and employee satisfaction." For the specialty bearings and pt distributor founded in 1917, that may be a lofty goal. But, the nearly national distributor has every intention of fulfilling it through a comprehensive quality approach. Having trained close to 1,000 employees in its quality improvement process already this year, Invetech is well on its way.

15 The Bovaird Supply Co.

Tulsa, Okla.

W.J. Bovaird, President

1991 Sales: $200 million

Branches: 25 **Employees:** 280

Since 1871, the family-owned Bovaird Supply Co. has been servicing the oil and gas industries from Texas to California with a strong offering of PVF and valve actuation. But according to John Bovaird, executive vice president, the times they are a changin'. Last year, Bovaird's two largest customers were the countries of Venezuela and India. And major markets have shifted as well. "We sold to a sugar beet factory and a shampoo manufacturer last year," he says. "We're letting our products drive us into new markets."

16 Lawson Products Inc.

▪Des Plaines, Ill.

Peter G. Smith, President & COO

1991 Sales: $181.7 million

Branches: 9 **Employees:** 720

Uniqueness tied to success and big numbers comprise this 40-year old, publicly held distributor's awesome image. Some 1,545 independent reps service 180,000 customers from a $19.9 million inventory of 700,000 maintenance products. 95% of these are sold under Lawson's private label and all come from 700 suppliers who must adhere to the distributor's own quality engineering standards. Dollar inventory value is 8% higher than last year's. The market stretches from all 50 states to the British Isles, Canada and Puerto Rico. Says Smith, "In a sales oriented company, responsiveness is a vital quotient to attaining a consistently high level of service."

17 The Gage Co.

▪Pittsburgh, Pa.

Robert A. Chute, Chairman

1991 Sales: $150 million

Branches: 30 **Employees:** 425

Eighteen acquisitions in 10 years doubled the size of this century-old, privately held, general liner. Now in eight states east of the Mississippi, management will expand westward "when it makes sense." The key lines in its diverse $27 million inventory range from cutting tools and abrasives to plumbing, heating and piping supplies. Chute projects a sales increase this year of about 6.5%. He credits EDI and absence of middle managers to its quick response decision-making. Management's simplistic growth formula: "Listen to the customer and give him what he wants."

18 Safety Supply America

▪Los Angeles, Calif.

Alan H. Bennett, President

1991 Sales: $150 million

Branches: 33 **Employees:** 500+

The SSA division of *Fortune 500*, Figgie International is a four-year accumulation of 11 regional safety businesses serving "all segments of industry and government." Currently implementing systems and consolidating functional areas out of new west coast headquarters, SSA is priming for growth. SSA's employee roster lists 76 inside and 125 outside salespersons. It provides EDI, in-plant stores, service and repair centers and vendor stocking programs. SSA's global outlook is "a commitment to world-class service in all respects," says Bennett.

19 Vallen Corp.

▪Houston, Tex.

J.M. Wayne Code, President & CEO

1991 Sales: $150 million

Branches: 38 Employees: 700

Born in Houston in 1942, this publicly held distributor of safety and occupational health products now has branches coast-to-coast and a number of "substantial national accounts." Growth has averaged 15% annually for the past five years. Salespersons total 90 inside and 123 outside. An expanded $250,000 internal and customer training program covers personal protection and equipment maintenance. Value added includes EDI, SPC, a gas detection instrument service, and on-site safety stores. Growth, says Code, will be charged "internally—up to 10 acquisitions in five years—and from new legislation."

20 Lucas Fluid Power ▪North America

Livonia, Mich.

Lewis Buckley, President

1991 Sales: $135 million

Branches: 78 **Employees:** 587

Pulling away from its Canadian parent in the early seventies, this largely specialized, publicly held distributor blossomed with 11 acquisitions in 15 years. Lucas's reach is global with branches in Hong Kong, Europe, North America, and Australia. A 4% drop in sales expected in 1992 caps 12% average annual growth the past 10 years. Management mandates five days minimum training for all, including its 132 inside and 149 salespersons. The company, says Buckley, "increasingly emphasizes state-of-the-art electronic control and interface to bring customers advanced standards in motion control."

21 DoAll Co.

▪Des Plaines, Ill.

Michael Wilkie, President and CEO

1991 Sales: $129 million

Branches: 75 **Employees:** N/A

This one-time midwest producer/developer of metal cutting bandsaws boasts a linked network of general-line branches in Canada, Europe, Australia and "every inch of the U.S." Founded in 1921, DoAll is primed for a 16% sales increase in 1992. Turnkey installations and uniform lines of cutting tools, machine tools, gaging and safety products in the branch network are its main sources of business. No longer privately labeled, the 100,000 items and a new 900-page catalog carry original brand names and UPC numbers. Quality, a full-line and superior value added are cited in the mission statement.

22 MSC Industrial Supply Co./ ▪Sid Tool Co.

Plainview, N.Y.

Mitchell Jacobson, President & CEO

1991 Sales: $118.9 million

Branches: 18 **Employees:** 620

This 51-year-old general-line powerhouse with branches in 10 states, sells coast to coast. The sprawling, single-source distributor listing cutting tools and abrasives as its key lines, offers a hefty, 2,000-page catalog, 140,000 items, guaranteed same day shipping and claims the industry's highest fill rate. Honing-of-skills training is on-going and company wide. Management's "pursuit of excellence" growth formula has seen sales compound over 600% in the last 10 years. "We're driven to achieve delighted customers," says Jacobson. "We'll provide the ultimate in error-free service."

23 Production Tool Supply

▪Warren, Mich.

Mark Kahn, President

1991 Sales: $110 million

Branches: 16 **Employees:** 425

Production Tool Supply includes: Production Tool Supply of Warren, Mich;, Production Tool Supply of Jackson, Mich.; Production Tool Supply of Ohio; and Rex Supply of Houston as well as several other companies. "One of the keys to our success is having proper inventory on hand," Kahn points out. Each branch stocks a full complement of products and delivery is immediate. With its recent acquisitions, the company, founded in 1952, has experienced a 30% sales growth in the past few years.

24 Noland Company

▪Newport News, Va.

Lloyd U. Noland III, Chairman & CEO

1991 Sales: $100+ million

(industrial & electrical divs.)

Branches: 92 **Employees:** 1,700

Setting the standard for "combination houses everywhere," this 77-year old publicly held giant serves 13 southern states via industrial, electrical, plumbing and heating, and air conditioning and refrigeration divisions. Salespersons total 249 inside, 357 outside. Inventory is just under $52 million. The training budget is double last year's and value added includes a computer-linked version of systems selling and non-stop inventory control. "The electrical department's greatest growth opportunities are industrial related," explains Noland.

25 IBT, Inc.

■Merriam, Kans.

Stephen R. Cloud, President & CEO

1991 Sales: $96 million

Branches: 40 **Employees:** 425

1991 and 1992 sales should be about equal but still substantial for this privately owned pt, bearing and motion control specialist founded in 1949. Its 10-year growth record is an impressive 80%. Its nine-state, midwest industrial market, served by 80 inside and 175 outside salespeople, taps into a $20-million inventory. Key services include repair and modification and integrating motion control systems with automation processes. "We must make a commitment to quality at every level," says Cloud. Quality and knowhow are stressed by the IBT Academy of 20 trainers and a fully equipped video studio.

26 Sepco Industries

■Houston, Tex.

David Little, CEO

1991 Sales: $93 million

Branches: 26 **Employees:** 400

One of Sepco's major goals for the upcoming year is to organize the business so the company's computer matches what's actually stocked in the warehouse. "Our goal is to get our inventory 99% right at all times," Little says. "A lot of distributors stock inventory and boast about their computers, but the information's not always reliable." Founded in 1908, Sepco is a specialty distributor. Product concentrations include pumps, actuators, bearings, and pt parts. The company is deeply involved in the quality process, having hired a consultant to lead the way, and it expects to move into barcoding in the months ahead.

27 Bearing Headquarters Co.

■Broadview, Ill.

Jim Timble, President

1991 Sales: $92 million

Branches: 38 **Employees:** 500

By offering a complete package of products and services, this 58-year-old specialty bearings house plans to be a major force in the midwest throughout the 1990s. "We do much more than stock and deliver product," says Timble. Some examples: Bearing Headquarters has four machining operations and one belt fabrication shop scattered throughout its market area. The company also has MIS professionals on staff who write programs that help customers manage their storerooms more effectively. The firm also publishes the *Bearing Manual*, a well-known industry reference book.

28 Hub, Inc.

■Tucker, Ga.

Ben Camp, CEO

1991 Sales: $90 million

Branches: 18 **Employees:** 365

This 26-year-old PVF house is fully dedicated to the quality process. "As far as I'm concerned, the quality movement is one of the real positive forces in our industry," Camp says. Hub consists of three major divisions: The Industrial Div.; the Energy & Process Div.; and the Piping Services Div. The company expanded its product offering through the 1989 acquisition of Florida-based Industrial Mill Supply. To date, Hub has integrated general-line supplies at three branches and plans to add mill supplies at additional branches in the years ahead.

29 Bearing Distributors, Inc.

■Cleveland, Ohio

John Kisel, President

1991 Sales: $86 million

Branches: 40 **Employees:** 380

Flexibility. According to Kisel, the firm's ability to customize partnering programs for major end users enables Bearing Distributors to maintain its status as a leader in the bearings and power transmission field. In addition, training is a way of life at the 57-year-old company. Kisel points out that each branch has a TV and VCR and more than 50 educational training tapes that employees are encouraged to view on a regular basis. "We put a premium on training at our company," Kisel says. "The goal of this training is to provide our staff with the tools to efficiently process customer requirements."

30 J.N. Fauver Co.

■Madison Heights, Mich.

Frank Brayton, President

1991 Sales: $85 million

Branches: 16 **Employees:** 320

This fluid power specialist, founded in 1923, expanded into lube, filtration and electrical components and systems and now serves most major industries in 15 midwest states and Ontario. Sales volume is pegged at 2% over 1991. Design, engineering and installation services, about half of the business, have a support staff of six engineers. Factory authorized services are in eight midwest states. Heavy commitment to quality assurance and cost-effective innovation is drawing preferred supplier certifications. "Being a total supplier has long been our forte," says Brayton.

31 Dillon Supply Co.

■Raleigh, N.C.

R.L. McCann, President

1991 Sales: $81 million

Branches: 18 **Employees:** 374

Founded in 1914, Dillon Supply was purchased by French company Descours & Cabaud 10 years ago. During the decade, the distributor grew from a five-branch operation in one state to 18 branches in five southeastern states. According to McCann, Dillon Supply's strength is its diversity. "We're a little different than your average industrial distributor," he says. "Because of our steel service center capability, customers can come to us for industrial supplies, machinery and steel—a complete one-stop shop." Not content to stop at 18 branches, McCann says Dillon is always looking to make acquisitions that "make sense."

32 Texas Mill Supply Companies

■Galena Park, Tex.

Monte K. Legro, President

1991 Sales: $77 million

Branches: 11 **Employees:** 285

Service to its customers is what keeps Texas Mill Supply and its jointly-owned partner, Louisiana Mill Supply, a powerful force in Texas and Louisiana. "We continually look into our internal operations to determine how we can better improve the quality of all our services to our customers," says Legro. The company is totally committed to the quality process and has an in-house quality manager who coordinates training throughout the company. Texas Mill Supply, founded in 1965, also prides itself in having a true partnering arrangement with its customers as well as its key suppliers.

33 R.S. Hughes Co.

■Sunnyvale, Calif.

R.H. McCollum, President

1991 Sales: $75 million

Branches: 27 **Employees:** 290

"Our goal is to do the usual, unusually well," says McCollum of R.S. Hughes. Since 1965, this philosophy has carried the specialty products house into 10 states across the country. R.S. Hughes trades primarily in the southwest, southeast and on the west coast. The company's major product lines include adhesives, tapes, coated abrasives, and safety equipment and supplies. McCollum expects the company to grow in three ways in the years ahead: Adding new product lines, acquisition and branch expansion.

34 Canadian Bearings, Ltd.

Mississauga, Ontario, CANADA

Farrokh Khalili, President & CEO

1991 Sales: $70 million

Branches: 30 **Employees:** 300

Founded in 1947, Canadian Bearings experienced fantastic growth during the '80s. Khalili notes that Canadian Bearings went from $30 million in sales and 19 branches when he purchased the business in 1983 to a peak of $86 million and 36 branches in 1989. The company sells bearings, pt parts and conveyor belting. It trades in Ontario, Quebec, New Brunswick, and Nova Scotia. Major markets include automotive, steel and mining. Khalili has a twofold strategy for the future: Form stronger partnerships with key customers and implement the quality process. "Our goal is to become the lowest cost supplier in our market," he says.

35 Service Supply Co., Inc.

Indianapolis, Ind.

Mel Seitz, *Jr.*, President

1991 Sales: $70 million

Branches: 42 **Employees:** 500

Inventory. For Seitz, the depth and breadth of this 44-year-old firm's inventory is what makes the fastener specialist unique. "No one can match our inventory," he says. "We provide quick delivery on both standard product and oddball fasteners that are tough to find." Over the years, Service Supply's growth strategy has been the branch, or service center system. While Seitz predicts steady growth for the years ahead, primarily through launching new service centers, he says the company is always open to acquisitions. Service Supply trades in 23 states and its major markets include automotive and construction.

36 Precision Industries

Omaha, Neb.

Dennis Circo, President

1991 sales: $68 million

Branches: 31 **Employees:** 310

Long known as Precision Bearing Co., this well-run distributorship has changed its name to Precision Industries. "We were constantly explaining that we sold more products than our name implied," Circo says, noting the 47-year-old company carries a broad line of products in addition to bearings. The company is heavily involved in systems contracts and customizes those programs for its customers. Despite the recession, Precision experienced 15% sales growth last year and has opened three branches in Los Angeles and two in Houston. "We have an ambitious expansion program planned, he says.

37 Carlson Systems

Omaha, Neb.

Don Carlson, President

1991 Sales: $67 million

Branches: 16 **Employees:** 315

Serving 22 states west of the Mississippi, Carlson Systems sells fastening and packaging systems to the industrial and construction markets. Founded in 1947, Carlson sells its products through 100 well-trained outside salespeople and 45 inside salespeople. In addition, the company "constantly looks out for leading edge ways to improve our business operations," Carlson says. As an example, he points to a new computer system that will be put into operation in August. That system was chosen after a lengthy evaluation of vendors. "A new computer system is basic to our future in business," he says.

38 Alamo Iron Works

San Antonio, Tex.

Paul Fisher, President

1991 Distribution Sales: $61 million

Branches: 6 **Employees:** 450

Distribution accounts for 85% of Alamo Iron Works' annual general line sales of products ranging from abrasives to welding supplies. A foundry, a steel service center and a steel fabrication unit adding more than $9 million to this sales total. Paul Fisher says that his firm does the same thing it's done since it was founded in 1878: "Nothing fancy; we just use good business sense." Alamo inventories 43,000 line items. A fleet of trucks runs regular routes throughout Texas and into New Mexico and Louisiana. Customers, many of whom are in outlying areas, place their orders and the goods are placed on the very next truck that heads their way.

39 Goodall Rubber Co.

Lawrenceville, N.J.

Torgny Astrom, President & CEO

1991 Sales: $60 million

Branches: 30 **Employees:** 280

Recession be damned. During a period when other distributors suffered, hose and accessories distributor Goodall Rubber Co. recorded a 7% sales increase and more than doubled its profit. What's Goodall's secret? According to Astrom, quality has a lot to do with it. "For many companies, quality is a buzz word—at Goodall it is a corporate policy," he says. Servicing everything from chemical processing and mining to pulp and paper and utilities in the U.S. and Canada, this 122-year-old distributor has high hopes for the future. Parent company, $5-billion Trelleborg, is behind acquisitions all the way as a means for expansion.

40 Industrial Distribution Group, Inc.

Tucker, Ga.

Douglass C. Smith, President

1991 Sales: $55.68 million

Branches: 10 **Employees:** 295

The Boring & Smith, Dixie Industrial and Ensco Supply divisions of Industrial Distribution Group concentrate primarily on the Southeast. In addition, Boring & Smith, originally launched in 1972, has seven truck-based "mobile" branches to extend the general-line firm's reach even into Indiana and Texas. Smith's approach is to "compete on capabilities." To this end, he's hired a full-time director of quality to help the firm surpass a 1 error/1,000 lines of billing benchmark. It's a distributor's responsibility, he says, "to add value to a product, not cost."

41 Lewis-Goetz & Co., Inc.

(formerly Gooding, Lewis, Goetz & Co., Inc.)

Pittsburgh, Pa.

Andy Lewis, Chairman & CEO

1991 Sales: $55 million

Branches: 9 **Employees:** 216

Economies of scale and survival have been the driving forces behind the evolution of Gooding, Lewis, Goetz & Co. Founded in 1935 as Gooding Rubber, the firm has acquired four companies since 1985, including Richmond Rubber, Haynes Rubber & Supply and, in 1991, both Shields Rubber and F.B. Wright/Ohio. President and COO Dave Goetz points to the firm's full-time Director of Quality Systems, Bill Wehr, and to a "business philosophy which defines the home office as a resource provider" as keys to the company's success.

42 Moody-Price, Inc.

Baton Rouge, La.

Danny A. Daniel, Sr., President & CEO

1991 Sales: $49.3 million

Branches: 7 **Employees:** 125

Last year, in the heat of the recession, specialty instrumentation distributor Moody-Price had the best year in its history. Daniel attributes the 37-year-old house's success to its stringent quality requirements and efficient information systems. "You have to do what you do better than anyone else is doing it," he says. Moody-Price services the chemical, refining, pulp and paper and oil and gas production industries from Louisiana to the Florida panhandle.

Anything but Standard

Standard Supply & Hardware thrives with some fundamental—and innovative tactics.

Mac Hadden, president of Standard Supply & Hardware in New Orleans, La., believes one of the reasons why his 83-year-old family business has flourished over the years is its clearly defined purpose. "We've never been in the pizza business and we don't take three month vacations. We are distributors," he says. "We do what we can do every day to make the distributorship better by the end of the day. And, we're dedicated to being who we are, not something different."

Standard Supply's no-nonsense approach seems to be working. Launched in 1909 by three friends and business partners, the general-line industrial distributor has survived not only the trials of family business, but also decades of roller coaster economic conditions.

Today, Standard Supply is managed by a team which includes three officers whose grandfathers were founding family members—Hadden and Keith Depass, the secretary/treasurer, and Grady Harper, the vice president of purchasing.

The business is run with much the same philosophy as was maintained by their forefathers, and they do it with what Hadden calls conservative financial management. "We keep our eye on the ball and we don't get out of control," he says. "We have no debt."

Too conservative? Maybe. But, Standard Supply's strong financial status puts the distributor in the position to target its major markets—oil, marine and industrial—in the next decade. And that's the idea, according to Hadden. "It's time to get aggressive," he says.

In the region Standard Supply services from east Texas to southern Alabama, getting aggressive means pursuing new markets and adding new lines. And it also means taking pioneering steps with existing accounts. "We've set up on-site stores and remote terminals," Hadden explains. "We put our computers right on our customers' desks so they can check stock and place orders immediately."

'We have good employees working toward a common goal.'—Caldwell

Quality is also a major component of Standard Supply's newly aggressive mode. Having attended Texas A&M's quality seminars, the distributor has conducted focus groups and customized the program to meet its own needs and the needs of the customers. "We've identified the most important quality points: Error rate; fill rate; accuracy; inventory access; day's-work-in-a-day; and on-time delivery," Hadden notes. "Our training focuses on these principles and we've witnessed measurable improvement."

Mac Hadden of Standard Supply & Hardware is a third generation leader.

In addition to maintaining the tenets of quality at Standard, the distributorship also hosts seminars featuring quality speakers and publishes a bi-weekly newsletter designed, among other things, to update employees on quality issues.

Still another ingredient in the Standard Supply offensive attack is ID-One. The group, a nationwide marketing and buying group for industrial distributors, has already brought Standard Supply some new selling relationships. "ID-One has won two or three national contracts," recounts Hadden. "And there's tremendous potential for more business in the future. It's an idea whose time has come because it's a legitimate way for independents like us to step up toe to toe with the real big guys."

It seems Standard Supply is already doing that. The distributor is combining a strong base of customers won through stable, trustworthy business relationships with an ambitious plan for future growth.

Perhaps things could have been done differently long ago—but look at the hundreds of companies that have lost their focuses and failed.

Besides, Hadden and his management team are appreciative of Standard Supply's strong financial condition today. "It's difficult to keep an eye on who you are when there's always something different coming down the road," he says. "But, we are distributors first and foremost."

"It's interesting to think what Standard Supply could have become if this hadn't been the case. Who knows? Had we decided to get into computers back in the 40s, we could have become the next IBM."

Perhaps there's still a chance to become the next Grainger. ID

43 Standard Supply & Hardware Co.

New Orleans, La.
Mac Hadden, President
1991 Sales: $42 million
Profit Centers: 13 **Employees:** 256
(See story p. 51)

44 Alatec Products, Inc.

N. Hollywood, Calif.
Don List, President
1991 Sales: $40+ million
Branches: 6 **Employees:** 229
In theory, Alatec Products, Inc. has two strikes against it. The specialty distributor, founded in 1972, not only sells within the regulation-riddled fasteners segment, it also sells to the economically-plagued aerospace industry. But despite the tough market, sales at Alatec are stable and strong. How does it manage? According to List, Alatec takes an aggressive stance with quality control. "We've put a lot of time and money into stringent quality control requirements and systems," he says. "We can conform to any standards the commercial and military contractors throw at us." International sales of 20% also help.

45 Associated Industrial Supply

Columbia, S.C.
Bob McBeth, President
1991 Sales: $40 million
Branches: 11 **Employees:** 200
In 1991, McBeth focused on increasing profitability without necessarily increasing sales at this general-line house which was founded in 1902 as Columbia Supply. Formalized training in both product awareness and selling skills is a major part of this effort. The firm's 35 outside salespeople meet four times a year, and an equal number of inside sellers gather twice yearly. McBeth sees distribution as becoming more dependent on technology in the next few years. Major chemical, petroleum and other Fortune 500 customers, he says, prefer dealing with distributors who have EDI capabilities in place, and this serves as "a definite growth factor" in his business.

46 Hatfield & Co., Inc.

Mesquite, Tex.
George R. Hatfield, CEO
1991 Sales: $38.8 million
Branches: 6 **Employees:** 91
"We believe inventory is just as important as accounts receivables," says Hatfield. The industrial process instrumentation and controls company, started by Hatfield's mother and father in 1958, has maintained that inventory focus over the years. And it's paid off. Serving the chemical and food process industries as well as oil and gas across Texas, the former "mom and pop shop" is in a growth mode. "We're looking into acquisitions in order to enhance our market share," relates Hatfield.

47 Morse Industrial Supply

Bellingnam, Wash.
Robert I. Morse, President
1991 Sales: $37 million
Branches: 2 **Employees:** 158
This venerable distributorship celebrated its 108th year in business earlier this year. And Morse says that diversity is the key to Morse Industrial's success. "We've been very successful over the years determining which segments of the market need servicing in our region," he says. Morse Industrial has three main divisions: Industrial, hardware and a steel service center. According to Morse, the company's future growth strategy is twofold. Number one, increase market share by growing existing accounts. And number two, add new products on a selective basis. Major markets include aerospace, oil, metalworking, and pulp and paper.

48 Ohio Transmission & Pump

Columbus, Ohio
David Derrow, Chairman
1991 Sales: $37 million
Branches: 8 **Employees:** 185
Management's strategy for the '90s at this specialty house is to become a niche marketer of mechanical and electrical pt components, pumps and air compressors. Founded in 1963 by L. Philip Carstens and Derrow, only Derrow remains from the founding group. Originally Ohio-based, the company now also trades in West Virginia and Kentucky. According to Derrow, two of Ohio Transmission's real strengths are its systems capabilities and the relatively young age of its management team. "Excluding me, the average age of our managers is about 38," he says.

49 A-C Supply Co.

Milwaukee, Wisc.
Eugene Owens, Chairman
1991 Sales: $36 million
Branches: 14 **Employees:** 152
A-C Supply has doubled its sales in the last six years primarily through key acquisitions, the most recent being Capital City Belting in Des Moines, Iowa. "Our philosophy is that you can't sit still today. You have to continue to grow your business," Owens says. This 50-year-old pt, industrial rubber, fluid power/electrical specialist covers the states of Wisconsin, Iowa and northern Illinois. For the immediate future, A-C Supply is making a concerted effort to expand in the motion control area.

50 Enco Manufacturing Co.

Chicago, Ill.
Charles Usiskin, President
1991 Sales: $35 million
Branches: 12 **Employees:** 215
"Today's buyers are very informed and intent on finding the best value. To succeed, distributors have to be keenly aware of all the options buyers have," says Usiskin. Among the options his general-line customers have is seven-day-a-week service at Enco headquarters and six-day service at the branches. This 52-year old firm also uses frequent mailings of catalogs to keep the Enco name in the buyer's mind. And each Enco location has a showroom staffed by people who are ready to demonstrate metalworking and woodworking tools in action.

This article was researched and compiled by ID's staff editors in cooperation with key executives at the top 50 firms profiled. The features were written by Christine Forbes.

SPECIAL REPORT

If not defense, then what?

With military contracts drying up by the day, defense cuts have hit home at distributorships across America.

By Steve Zurier, Senior Editor

By now, it's clear that the United States is having a very difficult time converting its Cold War victory to ongoing economic prosperity at home. As major suppliers to the defense industry, distributors are keenly aware that when the defense plant across town lays off thousands of workers, it's a safe bet it won't be spending a bundle of cash on industrial supplies.

The reality: Whether it's the $50 billion in cuts over five years proposed by President Bush or roughly double that amount if leading Congressional Democrats have their way, distributors must realize that one of their most significant markets is at best downsized and, at worst, gone forever. While New England, Southern California, Long Island, N.Y., Texas, and parts of Florida have been hardest hit, virtually every region of the country has been impacted by the downside of our Cold War victory.

"The defense cuts are just starting to have a tremendous impact on our industry," says Talbot Holdings' Tim Wyman, a cutting tool manufacturer who sells through distributors. Wyman's companies include Brubaker Tool Corp., Fastcut Tool Corp., New England Tap Corp., and The Weldon Tool Co.

Notes Wyman, "I estimate that defense-related products and business account for nearly one-third of all U.S. cutting tool sales. For distributors and manufacturers, particularly in certain geographic regions, there's only one of three choices. Either find alternative markets, downsize, or go out of business. Manufacturers can opt to sell overseas. But that's not always realistic for smaller distributors. I'm afraid that there's going to be a tremendous shakeout ahead."

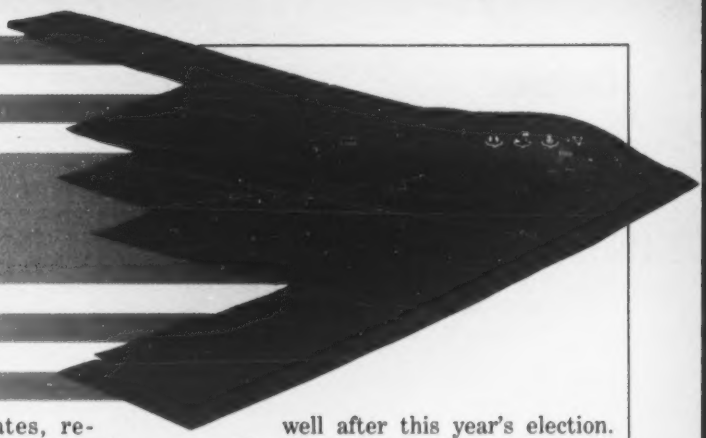
Ken Condon

How bad is bad?

Unfortunately for distributors, the defense cuts represent yet another in a long list of disturbing trends. With globalization, recession and pressure from large chains like Grainger and Kennametal, cuts in defense are about as welcome as a Yankee fan in Fenway Park. Many privately fear that the 1990s may result in an even greater shakeout than occurred during the freewheeling 1980s. A sampling from distributors in some of the harder hit regions reveals the following:

- Jay Drummond, president of Silliter/Klebes Industrial Supplies in

'The truth is that the defense cuts are just beginning to impact our industry.'—Wyman



technology companies so that they'll locate in the Boston area. But even if there's a biotech boom in the Bay State, distributors are skeptical that much more than low-volume maintenance business will come their way.

What of Washington? For businesspeople looking for leadership, President Bush's State of the Union address was widely considered underwhelming. The President's main proposal centers around modest R&D tax credits to new industries like biotechnology. Congress, feeling the heat from constituents, has been more aggressive. On the Democratic side, Sen. Christopher Dodd (D-Conn.) proposed a bill that includes a series of measures that would help defense contractors and workers adjust to cuts. And the Northeast/Midwest Coalition, a bi-partisan group of Congressmen and Senators from those states, recently appointed a task force charged with studying the impact of defense cuts on contractors, their employees and the communities involved.

But distributors and other businesspeople shouldn't get their hopes up. Why? Number one, despite the urgency, it always takes time for Congress to pass anything of significance. And number two, the 1990 Budget Agreement prohibits shifting money from defense projects to non-defense programs through FY 1993. At press time, the law required any cuts in defense to go to offsetting the federal government's multi-billion dollar budget deficit. While this could change, it means that for now, the issue of redirecting funds from defense to domestic concerns won't be on the table for real until well after this year's election. Translated: At least this year, businesspeople are largely on their own.

This state of affairs leaves many distributors concerned for the future. "Unless something's done soon, I see a tremendous shakeout ahead," says Andy Bamber, of Bamber Tool in Hamden, Conn. "I think the federal government would be wise to invest in the Space Program. It relates well to the type of highly skilled tasks aerospace workers performed when the focus was on defense."

Manufacturers are concerned as well. "Whatever is eventually done, the industry has to come to grips with the fact that the defense market can't be replaced," says Norton Co.'s Brian Rooke. "What we have to do as a company is to go after the remaining business by becoming the industry's low cost provider."

The real impact

So in the final analysis, distributors report that the real impact of the defense cuts is that the partnering trend has been accelerated. If an end user wasn't looking to reduce vendors and form stronger partnerships a year or two ago, he most certainly is today.

The bottom line: With defense cuts shrinking the pie, large players like Kennametal targeting high-end business, and mail order houses nipping the low end of the market, industrial distributors must focus their efforts more carefully than ever before. Some distributors may go out of business simply because they have the bad luck to be located in Los Angeles County or Northeastern Connecticut. The distributors who survive will be the ones who saw this coming, prepared for the deluge, and despite it all, are well on their way to becoming the low cost providers in their local market area. Anything less simply won't do. ID

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One distributor faces the cuts

Distributor Jayne Summers spends her time these days counting her blessings and biting her fingernails. Why? Summers does business in two of the most hard hit regions in the country—Long Island, N.Y., and New England.

First the good news: Sales volume at Summers' Kenneth Crosby Co. facilities in Southborough, Mass., and Rochester, N.Y., is up 15% this year. Summers points to the company's successful niche marketing strategy and the fact that her trade area has yet to feel the true impact of the defense cuts.

The bad news: Space Age Tool & Supply Corp., the Long Island-based distributorship Summers purchased two years ago is being devastated by the crash in the Long Island aerospace industry. The result: Sales at Space Age Tool are down about 30% in 1992.

"Long Island is very slow," she says. "I can't put enough emphasis on how slow. My concern with all of this is that very little is being done to replace these lost manufacturing industries. I don't care what the politicians or economists say, but in the long run, the computer, real estate and fast food industries are not going to create wealth. Only a healthy manufacturing base can do that."

Summers' prescription for distributor survival: Keep costs down. Don't succumb to the temptation to cut prices. Keep service levels high. And partner with the manufacturers willing to make longterm commitments. "It looks like there's going to be another major shakeout," she says. "But on a more positive note, the ones who survive will emerge in a stronger position to service their customers."

If Summers is right, and it appears that she is, industrial distribution is headed for one of the most uncertain periods in its history.

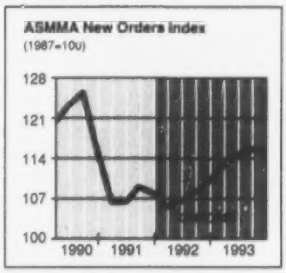
By Susan E. Farris

Machine tools off to a good start

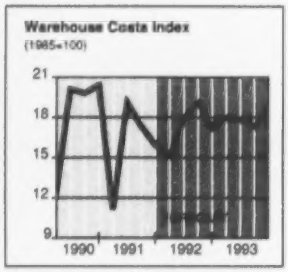
Expect robust demand from export and automotive markets in 1992 to continue.

Heavy capital goods, such as machine tools, are typically one of the last industries to improve during an economic recovery. However, major equipment purchases that were deferred during last year's recession and lower financing rates will mean an earlier recovery for the machine tool industry. While orders are expected to be robust, growth will be less than in the last recovery during the late 1980s.

Domestic machine tool orders exceeded $200 million in each of the first two months of 1992. This is a promising start after a weak 1991, when domestic orders reached $200 million or more only three times in the entire year. Foreign orders are down slightly, primarily as a result of slower economic growth overseas. Imports have put pressure on domestic manufacturers of machine tools, dampening growth. Nevertheless, massive investment by the auto industry to modernize their plants and shorten the cycle of new model introductions will help to drive the machine tool sector this year. Orders of machine tools are forecast to grow 4% in 1992 and to advance 3.9% in 1993.



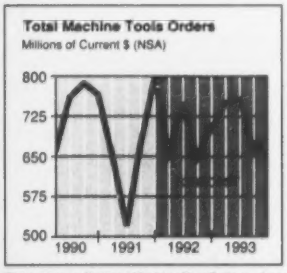
Data source: ASMMA
Forecast source: Cahners Economics



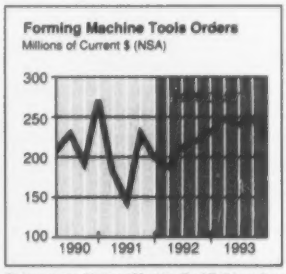
Data source: Cahners Economics
Forecast source: Cahners Economics

February cutting tool orders totalled $177 million, up 11.7% from January. Expect a 14% annual gain in orders this year. Metal forming orders stood at $54 million, down 7.7% from January. Forming tool orders will rise gradually every quarter this year, finishing 13% above year-ago levels in December. Shipments for both categories were sharply higher in February while the total backlog increased to $1,523 million.

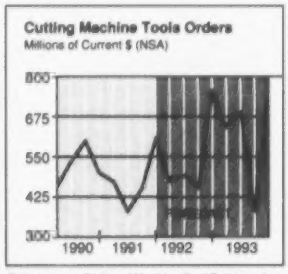
The export markets have become increasingly more important during this recession. In fact, the 1991 U.S. machine tool exports totalled a record $1,076 billion, up 1.3% higher than in 1990. The top export market was, and is expected to be this year, Canada at $135 million, followed by Mexico at $125 million, and Germany at $100 million. Recent export growth has slowed due to shrinking demand from Germany and Canada and a stronger U.S. dollar which makes American tools less competitive. Still, the foreign outlook for machine tools is good. Europe and Asia (minus Japan) will recover this year, and U.S.'s lower unit labor costs will help price American goods more competitively.



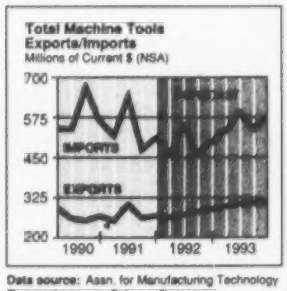
Data source: National Machine Tool Builders' Assn.
Forecast source: Cahners Economics



Data source: National Machine Tool Builders' Assn.
Forecast source: Cahners Economics



Data source: National Machine Tool Builders' Assn.
Forecast source: Cahners Economics



Data source: Assn. for Manufacturing Technology
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	Mar. 1992	Feb. 1992	Mar. '92 vs. Mar. '91 % change
TOTAL	102.1	93.0	+6.2
EAST	100.4	92.1	+6.1
SOUTH	106.4	95.3	+14.0
CENTRAL	103.2	94.6	+7.1
WEST	95.4	85.5	-6.4

National Index Distributor Sales
(1990=100)